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C O N F I D E N T I A L SECTION 01 OF 03 UNVIE VIENNA 000265

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SUBJECT: IAEA/IRAN: DG REPORTS MORE OF THE SAME

UNVIE VIEN 00000265 001.2 OF 003

Classified By: Ambassador Gregory L. Schulte for reasons 1.4(b) and (d)

Summary

¶1. (C) The IAEA Director General's (DG) June 5 report on Iran, which confirms a lack of continuing cooperation that seems to have become the "status quo," again identifies Tehran's failures to abide by UN Security Council and Board requirements. Conveying a "matter of fact" tone, the report describes Iran's continued enrichment- and heavy water-related activities, refusal to implement the Additional Protocol (AP) and Code 3.1, denial of access to some declared nuclear facilities and the stalled investigation on possible military dimensions (PMD) issues. The report notes Iran has increased its centrifuge activities, by operating approximately an additional 1,000 machines and installing an additional 900 machines since February. The press continues to highlight this "exponential increase in centrifuge activities" as the most striking "new element" of the DG's report, since it brings Iran within threshold capacity of weapons material were it to further enrich its uranium stockpile to weapons grade. The report is more direct about Iran's failure to abide by Code 3.1, noting that Iran is the only country with significant nuclear facilities that refuses to implement the standard. While clarifying that Iran has been provided sufficient access to the documentation related to possible military dimensions (PMD), the DG injects his view that it is up to the Member States that provided the IAEA with information to do more in order to facilitate the IAEA's verification. The fact that both the Iran and Syria reports conclude by pointing fingers at Member States other than Iran and Syria is extremely unhelpful and can be directly attributed to the Director General's influence. Asked by DCM why the IAEA continues to introduce such distractions into the reports, the DG's chef de cabinet acknowledged a deepening problem of credibility arising from Iran's unchallenged defiance of the IAEA.

¶2. (SBU) Although the report's conclusions highlight Iran's lack of cooperation and failure to meet UN Security Council requirements, it is unlikely to provoke much discussion in the Board room beyond what has become a stilted presentation of national statements, especially as many Board members await the Iranian presidential elections and Tehran's response to the E3 3 offer of talks. Iran and its allies will undoubtedly focus on the DG's call to Member States to provide copies, or even originals, of the PMD documentation to Tehran, but will ignore the fact that Iran has had sufficient access to study this documentation. Mission recommends that the U.S. statement hew to the technical basis of the report, while acknowledging broader political considerations /opportunity for engagement. Mission recommends that in urging Iran to take advantage of this critical opportunity for engagement, the U.S. statement call upon Iran to demonstrate its willingness to cooperate with

the IAEA to restore the international community's confidence.

Continued Enrichment- and Heavy
Water-Related Activities

13. (SBU) The IAEA DG's June 5, 2009, report on Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions 1737 (2006), 1747 (2007), 1803 (2008) and 1835 (2008) in the Islamic Republic of Iran states that Iran continues to build and expand its enrichment- and heavy water-related activities despite numerous calls by the IAEA Board of Governors, the UNSC, and the E3 3 to suspend such activities. Since the February 19 DG's report, Iran has completed installation of at least ten additional centrifuge cascades, six of which are operating with uranium hexafluoride (UF6) gas. The report explains that Iran, as of May 31, has estimated its total production of approximately 1339 kilograms of low enriched uranium (LEU) in the form of UF6 gas. Because of Iran's expanding centrifuge activities, the IAEA informed Iran that improvements to the containment and surveillance measures at the FEP are required to meet safeguards objectives. The report also notes Iran's continued work on its "new generation" centrifuges-the IR-2, IR-3, and IR-4-at the pilot FEP at Natanz. In addition, the report mentions for the first time, that Iran is working with an IR-2 modified centrifuge at the pilot FEP. Iran's progress in the "new generation" centrifuge area seems to remain at the research and development stage. The report also provides an update-from satellite imagery-of Iran's uranium mining and milling activities in Bandar Abbas and Saghand. This is the first update given to the Board on this topic in several

UNVIE VIEN 00000265 002.2 OF 003

years.

14. (SBU) Highlighting Tehran's continued failure to abide by Code 3.1 of its Subsidiary Arrangement by not allowing the IAEA access to the IR-40 Heavy Water Research Reactor and not providing design information related to the planned nuclear plant at Darkhovin, the report identifies Iran is the only State with significant nuclear activities and a comprehensive safeguards agreement in force not to implement Code 3.1. The DG repeats his statement from the February report that Iran's refusal to allow access to the IR-40 could "adversely impact the IAEA's ability to carry out effective safeguards" at the reactor, and that it is now impossible for the IAEA to use satellite imagery to monitor the reactor's construction since the domed containment structure has been completed. The report also indicates that one fuel assembly has been completed using the fuel rods Iran produced at its Fuel Manufacturing Plant at Esfahan.

Again, Absolutely No Progress on Possible
Military Dimensions

15. (C) The report briefly points out that there remain a number of outstanding issues-without enumerating them-which give rise to concern, and which need to be clarified regarding the existence of possible military dimensions (PMD) to Iran's nuclear program. The IAEA simply notes, again, in a matter-of-fact tone that it has "still not received a positive reply from Iran" regarding its request for access to relevant "information, documentation, locations or individuals." Consequently, "the Agency has not made any substantive progress on these issues." While the DG urges Iran to cooperate and provide clarifications on the PMD issues and notes that Iran has been provided with sufficient access to documentation related to PMD, he unfortunately also turns the onus on the Member States who provided the IAEA with information to do more in order to facilitate the

IAEA's verification. Ending on a low note, the final sentence of the report states, "...the Director General urges Member States which have provided documentation to the Agency to work out new modalities with the Agency so that it could share further information with Iran since the Agency's inability to share additional information with Iran, and to provide copies or, if possible, originals, is making it difficult for the Agency to progress further in its verification." Speaking privately on June 8 with DCM, ElBaradei's chief of staff, Antoine Van Dongen, acknowledged the unhelpful distraction from the Iran case posed by the DG's inclusion of language putting an onus on Member States for the conditions under which they provide information to the Agency. Van Dongen also expressed concern that Iran's continued defiance of the agency was doing lasting damage to the IAEA's credibility and acknowledged the need for the DG to avoid placing any further political gloss on Iran's defiance of the UN Security Council resolutions.

Comment and Recommendation

¶16. (SBU) The most striking "new element" of the DG's report, which the press continues to highlight, is the exponential increase in centrifuge installation at Natanz since March, bringing Iran within threshold capacity of weapons material were it to enrich its LEU UF6 stockpile further to weapons grade. In so doing, Iran may be trying to undercut the incentive for a "freeze for freeze" or CDb-6 @LQfX-Zalternatively may be seeking to increase its leverage before engaging with the E3 3. Mission recommends that in addition to urging Iran to take advantage of this critical opportunity for engagement, the U.S. statement call upon Iran to demonstrate its willingness to cooperate with the IAEA and UN to help restore the international community's confidence. As with previous reports, the DG's June report catalogues Iran's continued failure to cooperate with the IAEA or implement UN Security Council and Board resolutions. Coupled with the continued lack of substantive progress on PMD and continued failure to implement Code 3.1 and the AP, the report paints a bleak picture; there has been no attempt on Iran's part to restore confidence.

¶17. (SBU) Mission recommends that the U.S. statement highlight the report's conclusion that Iran is an outlier among states with significant nuclear activities in not implementing revised Code 3.1; while no one is denying Iran's right to nuclear energy, we expect Iran to play by the same rules as everyone else. We should also highlight the final para of the report, which for the first time states categorically that Iran has had sufficient access to documentation to enable it to respond substantively to the

UNVIE VIEN 00000265 003.2 OF 003

IAEA questions. The U.S. statement could note that Iran is thus responsible for the current stalemate of the investigation. Undoubtedly the NAM will focus on the following sentence concerning the need for Member States to provide access to documentation/information for the investigation to progress; thus deflecting from Iran's lack of cooperation. To help dispel the negative impression left by this final sentence, the U.S. statement could underline that the Iran must first respond to the questions already before it, which the IAEA has made clear are within Iran's capacity to answer or clarify.

¶18. (SBU) Overall, Mission recommends that the U.S. statement hew to the technical basis of the report, while acknowledging broader political considerations /opportunity for engagement. We expect that Russia and China will soft-peddle the report, given the timing of the Iranian election and their desire to encourage Iran to engage the E3 3, thus making a strong E3 statement especially important.
SCHULTE